BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change Of Control.	)))))	Case No. 98-1082-TP-AMT

DISSENTING OPINION OF COMMISSIONER JUDITH A. JONES

Section 4905.402, Revised Code, requires that a person seeking to obtain control of a domestic telephone company shall file an application with the Commission demonstrating that the acquisition will promote public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge. The Commission stated in its October 15, 1998, entry in this case that the goals of competition, diversity, and consumer choice should be evaluated when considering whether this application is in the public convenience. In the same entry, the Commission stated that the application requires consideration of the following issues which could be affected by, or have a direct nexus to, the proposed merger: operations support systems (OSS), quality of service, carrier-to-carrier activities, market power, cost savings, infrastructure, in-state presence, books and records, and affiliates and the markets they were to serve. The Commission instructed its staff to analyze and evaluate the application as it relates to these issues and file its proposal. The staff filed its proposal on November 6, 1998.

Applying the same standards of review as the other commissioners used in the opinion and order, I have reached a different conclusion than the majority regarding the application and stipulation and, therefore, dissent to the opinion and order. I believe that the joint applicants and other signatory parties to the stipulation have failed to show that the merger promotes the public convenience as required by Section 4905.402, Revised Code. As discussed below, too often the terms of the stipulation merely indicate "maintenance" of the existing situation and do nothing to "promote" the public convenience.

A. Operations Support Systems

1. Summary of Prehearing Issues

The Commission, after pointing out that adequate OSS is critical to effective local competition, stated that the joint applicants need to state what improvements are planned for OSS and when they will be implemented. (Unless otherwise stated, in this and the following sections where I refer to statements or concerns attributable to the Commission, I am referencing the Commission's October 15, 1998, entry in this case. Statements or concerns attributable to the staff may be found in the staff proposal filed

on November 6, 1998.) Staff reported that OSS is an area where an ILEC may very easily engage in anti-competitive behavior and that the Commission has received a number of informal complaints that Ameritech Ohio has failed to provide adequate OSS. Staff stated that it had been working with the NECs and Ameritech Ohio to address the OSS issues. While staff reported that Ameritech Ohio is in the process of trying to improve its system, staff was concerned that the merger may slow or prevent the implementation of any improvements and raise the potential for anti-competitive behavior. Staff concluded that any approval of the proposed merger would have to include mandatory OSS performance standards that have strict self-actuating penalties for missed standards.

2. Evaluation of Stipulation

Two collaboratives will be established to investigate OSS. The first will investigate the economic and technical feasibility of improving and integrating SBC's and Ameritech's OSS. The joint applicants will implement identified improvements within 180 days of the merger closing unless they conclude that it is not economically or technically feasible to do so. The second collaborative process requires the joint applicants to review the economic and technical feasibility of adopting in Ohio each of the OSS and facilities performance measurements and related standards/benchmarks that SBC has agreed to implement in Texas; to implement in Ohio those OSS that are economically and technically feasible; to implement at least 79 of the existing 105 performance measurements and related standards/benchmarks by the later of 270 days following the merger or April 1, 2000; and to work with the Commission staff and other interested parties in Ohio to develop the initial performance measurements, standards/benchmarks, and remedies to be implemented in Ohio. If the joint applicants fail to implement at least 79 of the existing 105 performance measurements and related standards/benchmarks by April 1, 2000, it will pay $17.5 million to NECs providing end-user services and $2.5 million to the Community Technology Fund. The joint applicants will also make a team of experts available to assist small NECs in Ohio with OSS issues.

The agreement to implement the OSS and the performance measurements and related standards/benchmarks should provide some benefits to the NECs because Ameritech Ohio currently has no measurements. However, some of the issues not resolved by the stipulation have significant merit. The principal failure of the stipulation's OSS section is the lack of self-actuating penalties for missed standards. As discussed above, the Commission staff concluded that any approval of the merger would have to include mandatory performance standards with self-actuating penalties for missed standards. Because of the lack of penalties, the NECs will need to advise the Commission when standards are not being met and the Commission will need to address the issue at a later date.

The stipulation provides that SBC/Ameritech Ohio agreed to implement all performance measurements as soon as they are economically and technically feasible and to meet with the collaborative participants on a regular basis to review the status of the performance measurements. SBC/Ameritech should have the obligation not only to review the current status, but also to provide estimated dates for implementing all performance measurements that they claim are currently not feasible. Some non-signatory parties were critical of the stipulation because it failed to provide for testing of OSS. I believe that the collaborative will need to give quick emphasis to this issue if the experiences of the NECs cause them to raise the issue. The opinion and order, at page 12, has properly addressed the "watering down" issue and I support that part of the order.

This part of the stipulation, if properly implemented by the joint applicants, should provide some benefits to the NECs if other portions of the stipulation are sufficient to encourage them to compete in the residential market. If the OSS are not fully and properly implemented, then I hope that the Commission will quickly convene a proceeding to address the need for penalties that staff originally deemed necessary.

B. Quality of Service

1. Summary of Prehearing Issues

The Commission concluded that Ameritech Ohio experienced an unacceptable diminution in service quality as a result of various reorganizations undertaken in the past. The joint applicants were directed to address how SBC's national-local strategy (NLS) will improve service quality under the pressure of retaliatory entry by new competitors and not result in diminution of service quality if no such competitive entry occurs. The parties were asked to suggest benchmarks or different means of service quality enforcement, other than the Commission's existing Minimum Telephone Service Standards (MTSS), to improve the existing level of service. The Commission also inquired whether additional tools might be required to measure the overall level of performance by the merged entity. With regard to levels of investment following the merger, the Commission expressed concern about whether Ohio would get an appropriate level of investment dollars following the merger.

Staff reported that Ameritech Ohio's service quality seriously declined in Ohio following a recent restructuring within Ameritech and that the quality of service has never recovered to its previous level. Staff stated that Ameritech Ohio has encountered difficulties in meeting the MTSS and further expressed concern that the focus on quality of service for Ohio's residential customers may be further diluted if the merger is approved. Long-term staffing levels of the joint applicants dedicated to Ohio customers following the merger were a concern to the staff. Staff feared that the merged entity will determine that allocating its resources to competitive business ventures could result in earnings that by far offset any symbolic and/or substantive penalties

that might result from not meeting Ohio's MTSS for residential customers who do not have competitive alternatives. Although SBC/Ameritech claimed that the NLS and the related retaliatory entry theory will result in improved quality of service, staff concluded that there is no guarantee that all Ameritech Ohio customers will see a quality of service benefit. Staff recommended that any approval of the proposed merger must include a long-term plan related to quality of service which would show how the joint applicants intend to meet or exceed service quality standards in Ohio and which would include specific, self-actuating penalties for not meeting commitments or for engaging in unacceptable marketing practices. Finally, staff concluded that the proposed merger would promote the public convenience if the merger increased the provision of residential service by new entrant carriers (NECs). Staff recommended that the joint applicants commit to provide shared transport and unbundled network elements to increase the likelihood of residential competition.

2. Evaluation of Stipulation

The stipulation includes several provisions that are intended to improve Ameritech Ohio's quality of service. The joint applicants summarized the key provisions as follows: 1) the joint applicants will make capital investments of $1.32 billion for the three-year period following the merger; 2) the number of Ameritech Ohio employees will not be reduced for two years following the merger; 3) Ameritech Ohio will improve quality of service by meeting or exceeding seven service quality performance benchmarks; 4) Ameritech Ohio will increase by 25 percent the existing credits payable to customers under the MTSS and automatically apply credits for missed appointments rather than only upon customer request; and 5) Ameritech Ohio will increase the recourse credits payable to the NECs (Jt. Applicants Initial Br. at 26). Initially, one may conclude that these provisions are not detrimental to the interests of Ameritech Ohio's customers and that they certainly promote the public convenience in Ohio. Closer examination led me to a different conclusion with regard to the latter.

As discussed in the "infrastructure" section below, the capital investment commitment will not even maintain the status quo. The employee level commitment is too little, too late in my opinion. During the 26 months prior to the signing of the stipulation, the number of Ameritech Ohio employees decreased by nine percent (Jt. Applicants Ex. 28) and Ameritech's service quality continued to decline. A commitment not to reduce employee levels does nothing to guarantee that service quality will be either acceptable or improved. The fact that the commitment is only for a two-year period causes me even greater concern. There should have been a commitment to increase employees to address the continuing service quality issue and to eliminate the loss of jobs from Ohio, particularly since SBC repeatedly stated that the long-term goal of this merger is to "grow the business." I question whether a growing business can provide adequate service with the same employee level when its predecessor could not.

With regard to meeting or exceeding service quality performance benchmarks, the requirement is not seven as stated in the joint applicants' brief, but as few as four, and a staff witness testified that, at the present time, Ameritech Ohio appears to be already in compliance with three of the standards (Tr. XVI, 105-112). Thus, even given Ameritech Ohio's current level of service, it will need only to improve service in one other area to meet the test in the stipulation. If Ameritech Ohio fails to meet the required number of benchmarks, it will be required to make payments not to exceed $16.6 million per year for three years. Ninety percent of the payment would be refunds to Ameritech Ohio's customers, while the other 10 percent would be added to the Consumer Education Fund. Ameritech Ohio has 4 million customers who will share in the refund amount. Thirty cents a month for a year, which is the estimated amount a subscriber would receive if Ameritech Ohio failed to meet the required number of benchmarks each year, would do little to satisfy any customer who has been a recipient of Ameritech Ohio's poor performance. The stipulation also provides that Ameritech Ohio will automatically apply MTSS credits payable to customers when it does not meet current standards. This provision, however, only extends Ameritech Ohio's current practice of automatically applying credits in one situation—missed, on-premise repair appointments.

I believe that consumers want good service, not partial credits or refunds when service is bad. This is the sixth stipulation that addresses Ameritech Ohio's inadequate service quality in the past five years. Yet the problems persist as Ameritech merely pays the occasional penalties. If the Commission is serious about resolving these service issues, then I believe that more aggressive and progressive penalties need to be imposed than those contained in this stipulation. It is noteworthy that Ameritech could announce just two weeks ago that it intends to invest $3.4 billion to purchase a share of Bell Canada, yet it is unwilling to invest the necessary dollars to fix its existing, recurring service problems in Ohio. Approval of the company's requested merger at this time sends the message that a company need not fear severe adverse consequences for failing to address longstanding service-related problems. Approving the company's merger when it has refused to address these problems does not promote the public convenience for Ohioans.

The stipulation also provides that Ameritech Ohio will increase by 50 percent the recourse credits payable to NECs under the MTSS for billing adjustments and waivers that NECs provide to their customers when Ameritech Ohio is the cause of a service-related problem. I can attach little value to this provision because Ameritech Ohio has refused to pay, to this point in time, any MTSS recourse credits to any NEC (Tr. XV, 160). On this point, my criticism here is not a new one. The recourse requirement became effective in October 1997. Thereafter, in May 1998, this Commission specifically directed Ameritech Ohio to begin making those payments. Still no payments have been made.

Finally, I would note that the stipulation includes a provision that the joint applicants agree that they will refrain from engaging in marketing practices that are fraudulent, deceptive, or misleading. The AARP devoted much of its activity in the case to educate the Commission about SBC's current marketing tactics and staff agreed that they are a concern (Tr. XVI, 81, 112-113). This provision in the stipulation adds nothing to the responsibilities of the joint applicants because the language is already contained in the Commission's Local Competition Guidelines; therefore, it does nothing to promote the public convenience. It is a concern to me, however, that even the stipulating parties found it necessary to restate the language in their agreement. To me this is a clear indication that, in addition to AARP, even the stipulating parties have legitimate concerns about the marketing practices of SBC. If such a reputation precedes SBC, then this Commission should be extremely leery of letting the company operate in Ohio.

The provisions of the stipulation relating to service quality do not, in my opinion, support a finding that the merger will promote the public convenience. Ameritech Ohio should be required to significantly improve its service quality before the Commission agrees to approve the merger. Although some may counter that Ameritech Ohio's customers will be better off if the merger with SBC occurs, there are no provisions in the stipulation that lead me to believe that the service quality being provided to Ameritech Ohio's current customers will significantly improve.

C. Carrier-to-Carrier Activities

1. Summary of Prehearing Issues

The Commission concluded that the joint applicants needed to provide better assurances as to how competition would be improved if the NLS does not result in retaliatory entry into Ohio by out-of-state ILECs. The Commission stated that the joint applicants needed to address their plans for interfacing with competitors to ensure the smooth provision of interconnection and resale services. The Commission also stated that SBC/Ameritech needed to commit to alternative dispute resolution (ADR) procedures that avoid undue litigation and delay tactics achieved through litigation.

Staff recommended that the applicants be required to commit to specific levels of carrier-to-carrier service quality with specific, self-actuating penalties for failures to meet the commitments and regular reporting of the service quality levels. Staff also recommended that the joint applicants be required to address issues related to recourse provisions between carriers. Staff reported that the joint applicants should not provide any interconnection services or UNEs at a level of quality below that which is provided to the joint applicants out-of-state. Finally, staff recommended that that SBC/Ameritech Ohio work with staff and the NECs to develop ADR procedures and to cooperate fully in informal settlement discussions.

2. Evaluation of Stipulation

Promotional Discounts

The stipulation provides that Ameritech Ohio will offer three promotional discounted rates to NECs. The first is for unbundled loops used in the provisioning of residential service. The discounted rate will not be available on loops purchased as part of a combination with Ameritech Ohio's local switching. The second promotion will be on services resold to NECs for residential customers. The third promotion is related to the use of collocation space in an Ameritech Ohio central office. AT&T and other nonsignatory parties argue that the proposed discounts are not cost justified, are discriminatory, and in violation of law. AT&T claims that the discounts are discriminatory and unlawful because the discount for loops only applies for loops used to serve residential customers, the loop discount only applies if a carrier provides its own switching, the discount only applies to loops ordered during a limited period of time, and the discount would only apply if the NEC had a certain mix of residential/business customers (AT&T Initial Br. at 11-20). According to AT&T, the 1996 Act places a duty on incumbent LECs to provide interconnection, unbundled elements, and collocation necessary for interconnection or access to network elements on rates, terms, and conditions that are nondiscriminatory. AT&T also argues that, according to an applicable FCC decision, all price differences must be cost-based, or they are by definition discriminatory (AT&T Initial Br. at 9).

SBC/Ameritech counters that, by making the promotional discounts available to all carriers that want them under the same terms, conditions, and restrictions, they have satisfied all applicable nondiscrimination requirements. According to SBC/Ameritech, the promotions would be an offer by Ameritech Ohio. The offer may be refused and the NEC is free to negotiate different terms. SBC/Ameritech Ohio states that the stipulation's promotional discounts will only apply when a NEC voluntarily accepts Ameritech Ohio's offer and, therefore, would only appear in a negotiated agreement rather than an arbitrated one. SBC/Ameritech contends that the discrimination standard referenced by AT&T does not apply to a negotiated agreement.

Both sides have certainly raised enough arguments on this issue to make it apparent that there is no clear decision. I tend to agree with AT&T that the 1996 Act and the applicable FCC decisions require that an ILEC must provide interconnection, unbundled elements, and collocation necessary for interconnection or access to network elements on rates, terms, and conditions that are nondiscriminatory and that any price differences that are not cost-based are, by definition, discriminatory. The fact that SBC/Ameritech Ohio will "offer" the promotional terms through an interconnection agreement does not persuade me that the resulting agreement will lawfully discriminate against a carrier not a party to the agreement.

The Commission, in its October 15 entry, stated that the joint applicants needed to provide better assurances as to how competition would be improved if the NLS does not result in retaliatory entry into Ohio by out-of-state ILECs. I believe that the promotional discount sections of the stipulation, even if they are legal, do not appear to be sufficient to promote competition. The terms of the stipulation have not been shown to be acceptable to any NEC since no NEC is urging the Commission to approve the stipulation. I can only conclude from the arguments presented that the promotional discounts are not great enough to bring any significant change to the existing situation in Ohio. Therefore, the Commission is faced with a request to approve a document that is intended to promote competition, especially residential competition, and no entity that is intended to provide the competition supports it. Although time will be the final judge, the record in the case leads me to the conclusion that the promotional discounts will not result in a significant improvement in competition for the residential market.

ADR and Other Nonpromotional Provision

The stipulation does provide for a new ADR process. The proposed process is intended to be quick and should be an improvement over existing ADR processes defined in interconnection agreements. I support this provision and hope that it will lead to more speedy resolution of disputes between Ameritech Ohio and the NECs and eliminate the filing of some complaint cases. There are several other minor carrier-to-carrier provisions included in the stipulation that are summarized in the opinion and order. They too should provide some benefit to the parties in the case who can make use of them. However, my endorsement of these provisions does not change my overall opinion that the stipulation does not promote the public convenience.

There is one other aspect of the stipulation that I believe needs to be addressed under this topic. No NEC supports the Commission's approval of the stipulation and yet the signatory parties all claim that the stipulation will motivate and make it easier for Ameritech Ohio's competitors to begin serving residential customers. The fact that parties who do not provide the residential competition in this state are the only parties who could agree that these provisions will enhance the likelihood that residential competition will develop causes me to question the value of the provisions related to this topic. NEXTLINK echoed this sentiment when it stated that one of the main reasons why NEXTLINK did not sign the stipulation is that the service inputs critical to providing residential service or any local exchange service, including business, have been conveniently ignored by the stipulation. For example, NEXTLINK contends that the operational issues of obtaining facilities, ordering UNEs, interconnection, coordinating customer conversions, receiving timely bills are as important to NEXTLINK as the cost of the loop, and yet they are not addressed by the stipulation (NEXTLINK Reply Br. at 3-5). If these provisions included in the stipulation will greatly benefit the NECs ability to compete, why is there no support for the stipulation from the NECs?

While the joint applicants may argue that certain intervenors oppose the merger because of their narrow self-interests, the fact remains that a number of NECs have been involved in this proceeding and not one of them supports the Commission's approval of the stipulation. Therefore, I cannot conclude that the stipulation adequately addresses the issues identified by the Commission and staff prior to the start of the hearing, nor can I conclude that the stipulation will likely result in any significant increase in competition for the residential subscribers in the state.

D. Market Power

1. Summary of Prehearing Issues

The Commission found that the parties should address whether the proposed merger significantly increases the market power of the joint applicants and, if so, what measures should be undertaken to address the increase. Staff reported that any approval of the proposed merger would need to include appropriate tools to mitigate market power to allow for the development of effective competition and thereby promote the public convenience. Staff believed that the proposed merger might increase Ameritech Ohio's market dominance and present a significant additional barrier to the emerging competitive market. The promises of retaliation encompassed in the NLS provided little assurance to staff that Ameritech Ohio's local market share would be diminished. Staff also reported that NECs regularly inform staff about difficulties in receiving timely and adequate service from Ameritech. To diminish Ameritech's existing market power, Staff recommended that any approval of the merger must include an "Ohio" strategy for local service competition to diminish Ameritech's existing market power. Staff also recommended that the joint applicants provide a test of market power, to be applied on a forward-going basis, to determine if Ameritech's market power has increased or decreased following the merger.

2. Evaluation of Stipulation

The stipulation provides that, for a period of seven years following the merger, Ameritech Ohio will prepare and furnish to staff an assessment of Ameritech Ohio's competitive market power. While these reports will be informative, I do not see them as a major benefit of the stipulation. The Commission already possesses the authority to obtain such information pursuant to statute. I note that, if the studies show that there is no decrease in Ameritech Ohio's market power, there are no plans specified in the stipulation to address the problem at a later date. If mitigation of market power to allow for the development of effective competition is a current problem, it needs to be addressed prior to approval of the merger. It will be a more difficult task to attempt to address the problem years after the approval of the merger when the problem has been made more difficult as a result of the merger.

The stipulation further provides that, if Ameritech has not lost 200,000 residential access lines within four years of the close of the merger, it will credit $15 million to its end users and NECs, and contribute $2.5 million to the Consumer Education Fund, and $2.5 million to the Community Technology Fund. Initially, I conclude that the loss of 200,000 residential lines will do little to overcome the Commission's concerns about Ameritech Ohio's market power. Ameritech Ohio provides service to approximately 99 percent of the residential subscribers in its service territory (Jt. Applicants Ex. 36; Tr. XVII, 140). A loss of 200,000 residential lines would mean that Ameritech Ohio is still providing service to approximately 93 percent of the residential subscribers within its service territory (ATT Ex. 17, at 16).

The requirement that Ameritech Ohio credit or pay a total of $20 million provides little incentive, in my opinion, to Ameritech Ohio to diminish its market power and provides little benefit to Ohio residential subscribers. Even if Ameritech Ohio were required to credit $15 million to its four million customers, the credit would only amount to $.30 per month for a year. The existence of several viable competitors in the residential market would, I suspect, be a lot more valuable to Ameritech Ohio's residential subscribers. The incentive to Ameritech to retain its customer base is, from a profit point of view, greater than the fear of losing $20 million. Even if Ameritech Ohio retained only 100,000 of the 200,000 access lines at issue and its average revenue from each line were a very conservative $10.00 per month, over a four-year period those 100,000 access lines would provide revenues of $48 million to Ameritech Ohio.

One of the other stated benefits of the stipulation is the agreement of Ameritech Ohio to offer basic local exchange service to both residential and business customers in four markets outside of its existing service territory. I was surprised to see this provision included in the stipulation. The topic to be addressed in this case was the diminishing of Ameritech Ohio's market power. Ameritech Ohio provides 99 percent of the residential access lines in its service territory. Not one NEC operating in this state agreed to support the stipulation, which leads me to conclude that any erosion of Ameritech Ohio's market power in the next few years is going to be very minimal. The four markets that Ameritech Ohio will enter are four of the most desirable service areas located in Ohio outside of Ameritech Ohio's existing service territory. If the Commission is truly concerned about Ameritech Ohio's market power, then the logic of taking an entity with Ameritech Ohio's existing market power, granting a merger that doubles its size, and then directing it to enter other highly desirable markets where it will more than likely increase its customer base truly escapes me. I am fairly confident that Ameritech Ohio would have found its way into those four markets without any push from the Commission. If we had wanted to do something truly beneficial for Ohioans, the agreement should have provided that Ameritech Ohio will provide local competition in four areas where it is extremely unlikely that a NEC will provide local exchange service to business and residential customers in the next few years, such as in rural exchanges or exchanges that had recently sought extended area service. While I am certainly in favor of competition because of the benefits that it can

provide to consumers, increasing Ameritech Ohio's market dominance was not a stated goal of either the Commission or the staff. Even staff agreed that it would be a concern if Ameritech Ohio were able to acquire more customers in the four new markets than it loses in its existing service territory (Tr. XVII, 158). Because I do not believe that these terms or other terms of the stipulation will appreciably mitigate Ameritech Ohio's existing market power or result in the development of effective competition for its existing customer base, I cannot conclude that the merger will promote the public convenience for Ohioans.

E. Cost Savings

1. Summary of Prehearing Issues

The Commission stated in its October 15 entry that, with regard to the issue of cost savings, it would prefer to concentrate on the development of effective competitive markets. The Commission also stated that the joint applicants needed to clarify how the issue of cost savings would be addressed in the future for those customer classes or the areas of Ohio where competition has not developed as the tool for the pass-through of cost savings. The Commission's staff concluded that, as long as the joint applicants continue to have captive ratepayers without competitive alternatives, such ratepayers should benefit from any increased synergies resulting from the merger. The staff recommended that any approval of the merger should include a plan which will ensure the pass-through of benefits to ratepayers should sufficient competitive alternatives not develop for Ameritech Ohio customers.

2. Evaluation of the Stipulation

The joint applicants have taken the position that any attempt to allocate cost savings in this proceeding would be inappropriate because Ameritech Ohio is subject to price cap regulation and because SBC does not project any net expense savings until the end of the second year after the merger. SBC/Ameritech contends that it would be more appropriate to address this issue at a later date in a separate proceeding. SBC/Ameritech also points out that the costs of the OSS improvements, carrier-to-carrier commitments, promotional discounts, fee waivers, and payment terms provided to the NECs pursuant to the stipulation will all be funded by SBC/Ameritech (Jt. Applicants Initial Br. at 55-56, Jt. Applicants Ex. 1, 82-83). In its reply brief, SBC/Ameritech states that if it does not act pro-competitively and/or allows service quality to suffer, SBC/Ameritech will be required to make payments of up to $90 million. The joint applicants contend that this is part of sharing the benefits of the change of control with Ohio's consumers (Jt. Applicants Reply Br. at 54-55).

The staff also mentions, under the heading of cost savings, the fact that SBC/Ameritech faces payment of penalties of $50 million if service quality does not

improve, $20 million if competition does not increase, and $20 million if the joint applicants fail to implement certain agreed upon OSS features. Staff also points out that Ohio's jurisdictional proportion of the projected merger savings was $80-90 million and, thus, $90 million in potential penalties is extremely fair to Ohio consumers (Staff Initial Brief at 20).

Penalties paid by SBC/Ameritech for failing to live up to terms of the stipulation, and especially for failing to provide improved service quality, should not be connected to any discussion of the treatment of cost savings. I will not oppose the decision of my fellow commissioners to not address the merger-related cost savings issue in this proceeding and I am willing to accept SBC witness Kahan's opinion that it would be more appropriate to address the merger-related cost savings issue at a later date in a separate proceeding. However, I will not agree that payment of penalties by SBC/Ameritech for failing to perform acts which they agreed to do in order to obtain approval of this merger should in any way constitute passing on merger savings to consumers. Nor will I agree that any costs to be incurred by the joint applicants to improve the service being provided by Ameritech Ohio should constitute passing on merger savings to consumers.

The supporters of the stipulation also contend that another financial benefit of the merger is SBC/Ameritech Ohio's agreement to extend for an additional year the rate cap for Cell 1 core residence service. I do not see this as a benefit of the merger. Inasmuch as Ameritech agreed to reduce rates for residential service in its last alternative regulation case and the last time that the Commission issued an order granting a rate increase in a telephone company rate case was in 1988, the chances of Ameritech Ohio seeking to increase rates for residential service in the near future are extremely remote.

The terms of the stipulation identified with the cost savings issue do not promote the public convenience to the extent that I could conclude that the merger promotes the public convenience. In addition, the stipulation does not address how the cost savings benefits generated as a result of the merger will be passed on to ratepayers without competitive options. I trust that the full Commission will address this issue at an appropriate future time.

F. Infrastructure

1. Summary of Prehearing Issues

The Commission, in its October 15 entry, recognized that the joint applicants' NLS could result in an initial concentration on the deployment of infrastructure and capital dollars outside of Ohio. The staff, in its November 6 proposal, referenced the

same issue, but also identified the possibility that the joint applicants may focus resources on maintaining a state-of-the-art network for customers with competitive alternatives, while allowing the network and services of the captive customers to deteriorate.

2. Evaluation of the Stipulation

The stipulation provides that Ameritech Ohio will make capital investments in its infrastructure and network in an amount of not less than $1.32 billion dollars for the three years following the merger. SBC/Ameritech has also agreed to provide an annual report that compares Ameritech Ohio's public switched network (PSN) with each of the non-Ohio PSNs owned by SBC. This report will also provide detailed information on each of Ameritech's central offices.

Joint Applicants Ex. 28 indicates that Ameritech Ohio had capital investments of $435.2 million in 1996, $441.3 million in 1997, and $485.4 million in 1998, for a total of $1.36 billion for the three-year period. The exhibit also indicates that planned investments in Ohio for 1999 will be $27 million less than in 1998. Without even taking into account inflation between now and the third year following the merger, it appears that the commitment to invest $1.32 billion cannot be used to show that the merger will promote the public convenience, and it raises the question whether the commitment will even maintain the public convenience. I note that the joint applicants, in their initial brief at page 59, point out that in 1998, the first full year after SBC's merger with Pacific Telesis, network-related capital investment in California was projected to increase by 20 percent over the 1996 level. I can find no justification or explanation in the record to support this decreased level of investment in Ohio. With regard to the report that the joint applicants agreed to file, this Commission is already empowered to obtain such information from Ameritech Ohio merely by asking.

Finally, the stipulation provides that the deployment of ADSL, if deployment even occurs, will be in a nondiscriminatory manner. Should not deployment of ADSL and all services occur in a nondiscriminatory manner? In my opinion, there are no infrastructure-related provisions in the stipulation that promote the public convenience for Ohioans.

G. In-State Presence

1. Summary of Prehearing Issues

The Commission stated that the joint applicants need to explain their plans for preserving the existing in-state corporate presence of Ameritech Ohio and the level of autonomy and local decision-making which is key to serving local customers. The staff assumed in its November 6 proposal that the merger would result in the movement of decision-making, business practices, and regulatory affairs farther away from

Ohio. Staff stated that these factors could result in eroded quality of service for residential customers and could raise concerns for how and how much the joint applicants would invest their resources in Ohio. Staff concluded that approval of the merger must include a requirement that the applicants report earnings and investment on a per access line and customer class basis for Ohio and for the other states to be served by the merged corporation to insure that financial investments in Ohio would be proportionate to Ohio's contribution to the corporation's earnings.

2. Evaluation of the Stipulation

The stipulation provides that SBC/Ameritech have agreed to maintain a state headquarters in Ohio for a five-year period and that the total number of full-time employees will not be reduced for at least a two-year period following the merger closing. The joint applicants have also agreed not to reduce the staffing levels of employees providing services to NECs for at least four years. This part of the agreement only provides a temporary benefit. This five-year commitment does not guarantee the preservation of Ameritech Ohio's existing corporate in-state presence, which was the Commission's stated concern. I fear that Ameritech Ohio's existing state headquarters may end up being nothing more that a small satellite office with a few employees for a much larger corporate entity after the five-year commitment. Absent the merger, I think that the loss of the Ameritech Ohio's headquarters would be less likely to occur.

The joint applicants have also agreed not to reduce the staffing levels of employees providing services to NECs for at least four years. The two-year time period for maintaining employee levels gives me greater concern. When the stipulation was signed on February 23, 1999, Ameritech Ohio had 7,808 employees. At the end of 1996, Ameritech Ohio had 8,579 employees. Agreeing to maintain the existing employee level for only a brief period does little, in my mind, to promote the public convenience and provides no guarantee that the merged companies intend to hire new employees to address the existing service-related problems, as I discussed earlier.

The stipulation also provides that SBC/Ameritech will make philanthropic and community contributions that average $2.0 million for three years following the merger. Ameritech Ohio's charitable contributions averaged $2.1 million for the past three years; therefore, the agreement to provide $2.0 million annually for the next three years does not promote the public convenience.

The companies have also agreed to contribute $2.25 million over a three-year period to establish a Consumer Education Fund and an identical amount over the same time period to establish a Community Technology Fund to insure that rural and low income areas have access to advanced telecommunications technology. A smaller commitment of $1.0 million over a three-year period was made to continue support of the Community Computer Centers established in Ameritech Ohio's last alternative

regulation plan. While I recognize the benefit of the creating of Community Technology Fund and maintaining the Community Computer Centers, the Consumer Education Fund appears to have a goal of educating consumers about their rights when they do not receive the service to which they are entitled. If better service had been provided in the past, I question if the need for this fund would even exist. Taken as a whole, I cannot conclude that the provisions of the stipulation related to this topic promote the public convenience.

H. Books and Records

This issue was raised merely to insure that SBC/Ameritech recognized that relevant corporate documents would need to be made available, when required, to enable the Commission to carry out its regulatory responsibilities.

I. Affiliates

1. Summary of the Prehearing Issues

In its October 15 entry, the Commission noted that Southwestern Bell Communications Services, Inc. (SBCS) is certified to provide interLATA services in Ohio. The Commission raised the issue of whether it should be concerned about the loss of SBC as a potential competitor to Ameritech Ohio in major markets in Ohio or will the benefits of a new stronger entity outweigh the loss of a more marginal competitor to Ameritech Ohio. The Commission staff, in its November 6 proposal, concluded that SBCS would have to abandon its IXC certification in Ohio to eliminate a conflict with the 1996 Act.

2. Evaluation of the Stipulation

The record clearly indicates that the loss of SBCS as a provider of interLATA services in Ohio is insignificant because it has very little activity in Ohio. The primary issue under this topic is the loss of SBC as a potential competitor to Ameritech Ohio. I am mindful that an SBC witness testified that, prior to entering into the merger with Ameritech Ohio, SBC had no plans to enter the local exchange market anywhere in Ameritech Ohio's service territory on its own and that, if the merger is not approved, SBC still has no plans to enter the Ameritech Ohio region.

Such statements are illogical when SBC attempts to use its NLS as support for approval of the merger. SBC witnesses testified that, once the NLS is implemented and SBC/Ameritech begin to compete in the markets of other companies, those other companies will retaliate by competing in the markets of SBC/Ameritech, including Ohio. SBC's argument that companies smaller than a combined SBC/Ameritech can afford to and will compete against the combined SBC/Ameritech, but that a separate SBC or Ameritech could not afford to and would not compete in the markets of each

other is ill-conceived and illogical. If SBC and Ameritech have the financial capability and expertise to compete in Canada and numerous countries overseas, one wonders what is so difficult about crossing the Mississippi River to compete against each other in one's own country? Obviously, it is not difficult for two companies that have been involved in the telecommunications industry as long as SBC and Ameritech have been.

I recognize that my colleagues believe that the terms of the stipulation to stimulate competition outweigh the elimination of SBC as a competitor against Ameritech. Given the inability of residential competition to materialize in this state and my stated concerns with the stipulation, as discussed above, I find it ill-advised at this time to eliminate any potential competitor for residential market competition, and especially a significant-sized ILEC. Head-to-head competition between SBC and Ameritech Ohio to resolve issues stalling the creation of residential competition would, in my opinion, be a better catalyst than the short-term provisions contained in the stipulation to stimulate competition in the residential markets.

CONCLUSION

SBC and Ameritech have failed to show that the proposed merger will promote the public convenience in Ohio. They and other parties submitted a proposed stipulation which, they contend, settles all the issues related to the approval of the merger. I have concluded that the proposed stipulation does not properly resolve many of the significant issues in the case identified by the Commission and its staff and that it does not even address some of the issues. Therefore, I cannot find that the proposed merger will promote the public convenience and dissent from the opinion and order in this case.

Judith A. Jones, Commissioner

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Gary E. Vigorito
Secretary

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control.	)))))	Case No. 98-1082-TP-AMT

CONCURRING OPINION OF CHAIRMAN CRAIG A. GLAZER

I concur with the Commission's decision today. I am writing to go on record on some of my personal views on the issues raised in this record.

I. THE MARKET POWER ISSUE

Of all the issues raised in the Commission's October 15, 1998 Entry setting forth the issues, I personally found one of the most important being the issues raised concerning market power. Specifically, the question was raised whether the merger will increase the ability of the combined entity to create new barriers to entry (vertical market power) or, more likely, by virtue of its size and dominance, be able to sustain either a predatory pricing scheme or ultimately higher prices for those services not subject to the price ceilings set forth in the Ameritech price cap plan (a form of horizontal market power).

On this issue there was varied testimony. Sprint's testimony essentially adopted an "increased ability to discriminate" argument and pointed to such items as high access charges and discrimination against new services such as ION as examples of same. AT&T argued that there was market power, but only addressed the vertical market power issue and did so by requiring a complete divestiture between Ameritech's network operations ("wireco") and its retail operations. MCI apparently decided, for strategic reasons, to present no testimony on the issue at all (nor on any other issue in the original presentation to the Commission leaving the staff nothing to work with from MCI), while OCC unfortunately, did not even address the issue. The company presented the testimony of Dr. Harris who argued that market power would not exist because: (a) the workings of the national/local strategy would induce competitive entry; and (b) because this was a so-called "geographic extension" merger. AARP presented testimony the most directly on point raising concerns about the "national/local" strategy and its effectiveness in addressing the market power issues, especially as related to the residential class where competition is still in its infancy.

Although we are deciding this case based solely on the reasonableness of a stipulation standard, I find, based on the presentations that occurred in the initial round of this case, that the merger, as presented, and without any market power conditions, would have increased the market power of the new combined entity in a manner which was contrary to the pro-competitive goals sets forth in the

Telecommunications Act of 1996 and this Commission's own policies. This is not at all to say that mergers are bad or that "big is bad." If we were to adopt either of those standards, then the MCI/Worldcom and AT&T/TCG merger should have been summarily rejected.

That being said, I am convinced that there was a market power problem with this merger as originally presented. Although Dr. Harris said that there was no "increase" in market power as a result of the fact that SBC was not already providing service in Ameritech's territory, his testimony ducks the inevitable fact that Ameritech does have market power in the region today---it has virtually all of the residential customers, an overwhelming majority of the business customers and has control of bottleneck facilities---all indicia of both vertical and horizontal market power. Since the Ohio statutes require us to find that the merger promotes the public convenience and necessity, just saying that the merger does not increase market power for an entity that already has market power is not sufficient, in my opinion, to meet the statutory guidelines. If the General Assembly had just wanted the Commission to ensure that mergers maintain the status quo, it could have said so. By requiring that the merger "promote"[1] the public convenience and necessity and by adopting an aggressive policy statement in Section 4927.02 of the Revised Code, the legislature clearly appears to task the Commission to meet a higher standard.

Furthermore, although the national/local strategy could conceivably work for large business customers to promote competitive entry, Dr. Harris admitted himself that that strategy did little, if anything, to promote competition in the Ohio residential local exchange market (Tr. VII, 212). And, although Dr. Harris is correct that regulation does work to control market power and called on us to aggressively regulate the new merged entity (*Id.* at 241-243), I highly doubt that the new combined entity will be making those comments when it seeks renewal of its price cap plan. Thus, I find that the merger, as presented, would have increased market power in the residential market where competition is in its infancy and would have had some adverse effects on the business market where we have been much more successful in bringing competition through our fresh look and other pro-competitive policies to over 40 counties in Ohio.

The question then becomes what is the remedy for this market power increase? AT&T presented a divestiture plan, but its witness could not clearly explain whether the Commission even had the authority to undertake such a divestiture and whether it would be feasible or practical to do so on a state-by-state basis (Tr. VIII, 49-51,53). Moreover, the "wireco" plan was one tried in New York where the PSC did not find it particularly successful or satisfying to customers. In short, AT&T did not present us with a workable plan to ameliorate the market power, short of a remedy which its own

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1 "Promote" is defined in Webster's as "to contribute to the progress or growth".

witness could not state was even feasible, let alone appropriate, on a single-state basis and in keeping with Ohio law. As noted, MCI presented nothing, while Sprint (although having one of the best discussions of the issue in brief) proposed a standard which its own witness admitted under cross-examination would lead to this Commission rejecting any Sprint merger simply if it has the "possibility" of leading to increased discrimination (Tr. VII, 66-67). I would strongly urge Sprint, which is a valuable member of the Ohio market, to get its house in order by lowering access charges, opening up its own territory to competition through appropriate tariff filings and deploying ION in the counties in Ohio it serves. I believe the focus we have put on Ameritech may have led us to ignore other non-Bell telephone companies who have done far less in the way of infrastructure deployment, lowering of access charges, or the development of pro-competitive tariffs in their own territory.

The stipulation as I read it, addresses the vertical market power issues by setting standards and penalties to address the OSS issues once and for all. Although I think that collaborative processes at the Commission have had mixed results and can, if not carefully controlled, basically wrest decision-making authority away from the Commission and into the hands of other entities with their own agendas, it can also help to narrow issues in a highly technical field. Thus, it is appropriate to use the collaborative process in this specialized area and, more importantly, import the already agreed-to Texas standards rather than starting from scratch. This, plus many of the other items in the stipulation, when coupled with this Commission's vigorous enforcement of the Telecommunications Act, sufficiently addresses vertical market power in a pre-271 approval environment.

The issue then comes down to horizontal market power. The stipulation appropriately, in my opinion, zeroes in on the area where we have a clear market failure--the residential local exchange market. Because of thin margins, high marketing costs, and the lack of cable TV entry into this market, we do not have extensive residential competition. The stipulation appropriately pries the margins further open in the residential market by providing for greater discounts for a set period of time. This in effect, and when coupled with a properly functioning OSS system and vigorous Commission enforcement, begins to create a contestable market for residential competition and is in keeping with the pro-competition principles embodied in the Telecommunications Act.

I find the discrimination arguments made by the IXCs real "make weight" arguments in this case. In the first place, this case is being decided under Ohio law. We are not in this proceeding approving specific interconnection agreements containing the discounts. Thus, I am not sure that their attack on the reduced prices is even ripe for adjudication. But more importantly, Ohio law clearly provides for no unreasonable discrimination or undue advantage. I do not find that the Commission taking an extra step to promote competition in residential markets where, as a result of

thin margins, normal TELRIC prices may not work, to be unduly discriminatory. Moreover, although I firmly support the majority's view of these discounts as allowable promotions, I believe they also have a firm grounding in cost-of-service principles should parties have to argue this issue on appeal. There are two ways to deliver merger savings to customers---either through promoting more competitive entry which delivers lower prices and more options for customers, or by more traditional regulatory means such as lowering prices. We cannot simply lower retail, residential prices without reopening the Ameritech price cap plan---something that no one sought in this case. Since the record clearly establishes that there is less competition in the residential market, it is not "unreasonable" discrimination for the Commission to attempt to deliver some of the savings from the merger to those residential customers now in the form of more potential residential competition rather than for business customers who already will enjoy the savings from the merger as a result of the pass-through of lower prices by competitors attempting to meet the new SBC/Ameritech prices. Such flow-through mechanisms are clearly legal under Ohio law. *Armco v. Pub. Util. Comm.*, 69 Ohio St. 2d 401 (1982). Thus, the stipulation works to deliver the savings now, within the constraints of the price cap plan, by prompting the very vehicle that will drive residential competition between now and the reopening of the plan. The business customers, who have more competitive choices, will see these savings without the need for the specific pass-through. Had we been setting the TELRIC prices in this case, we could have captured those savings. However, given the relative starting points of the two customer classes, residential and business, and the constraints of the price cap plan, the alleged "discrimination" has a cost basis. And, if competition does not develop in the residential market, the record also clearly establishes that the Commission can then capture the merger savings in the form of an increased productivity adjustment or reset starting rates after a rate of return analysis pursuant to Section 4909.18 of the Revised Code.

If this methodology is unlawful discrimination, then the Track A requirements of Section 271 of the Telecommunications Act (which clearly tilt in favor of residential competition before an RBOC can enter long distance) are unduly discriminatory to the RBOC that has fully opened up its market for business customers. Or, for that matter, AT&T providing a break to customers who call during weekends is unduly discriminatory against business users who make calls during the weekdays. And, end user charges, which differ by customer class, are also unduly discriminatory. Thus, the IXCs' discrimination argument, taken to its logical extreme, collides with many of the policies and practices that the IXCs have implemented or argued for and the very tools in the Act they will argue for keeping the merged entity out of the long distance market.

There is a third more troubling aspect of AT&T's and MCI's argument. The logical consequence of their argument would be to straitjacket the Commission from

ever treating residential and business competition differently. The Commission needs flexibility to approach different markets differently. As AT&T admitted, the end result of their proposal would be to drive them to serve more business customers and not residential customers. The best way to kill nascent residential competition is to require a "cookie cutter" approach which forces us to treat all market segments the same. For these reasons, as well as those articulated in the Order, I do not believe that this is undue discrimination under the Telecommunications Act or under Ohio law.[2]

The IXC intervenors specifically argue in brief, once again, for the platform. Although I have long thought that this Commission's views on combinations first adopted in the local competition guidelines may need to be reexamined, AT&T's approach once again lacks the quid pro quo. The company was asked repeatedly whether, if they had the platform, they would commit to serving the Ohio residential local exchange market. They have refused to so commit. Regulators would be foolish to simply grant a blanket request with all its disruption to the system that we have now without some commitment that it would actually benefit the customers it is intended to serve. I once again call on the IXCs to start focusing on Ohio as a discrete market where they have a Commission willing to work with them if they just meet us halfway. Nevertheless we have taken steps to ensure, consistent with company witness Kahan's own admission under oath, that SBC could not realistically obtain the platform or other interconnection features of a NEC out-of-region and then turn around and argue before this Commission to deny these same features to NECs in Ohio. This is an important protection for competitors seeking to go up against the combined SBC and Ameritech.

On balance, by creating a contestable market in residential competition and by going the extra mile to counter the high marketing costs and other economic barriers to entry to serve the residential class, the staff has appropriately crafted a stipulation, with a well-balanced mix of parties, that, when coupled with the provisions of this Order, sufficiently mitigates the increased market power from the merger.

II. COLLABORATIVE PROCESSES

The Commission has had mixed results from collaborative processes. This stipulation sets forth a host of new boards and collaboratives to deal with critical issues such as OSS, infrastructure deployment, and customer education. The collaboratives and boards can be helpful to narrow the issues. But I urge the parties to be willing to quickly present issues to the Commission rather than let any one party have veto power over them in an extended collaborative process. And, the staff needs to feel

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[2] I also note that the FCC has approved such "discriminatory" pricing with its approval of the New York PSC pricing plan. The IXC's timing argument just does not square with the actions of the FCC which clearly found no inconsistency between its rules and the New York plan without reference to the status of various litigation.

empowered to move to certify issues to the Commission rather than let issues drag on through obfuscation, delay, or side deals. Moreover, I caution all parties that the ultimate decision maker must be the Commission since it alone is accountable to the people of Ohio as represented by the Ohio General Assembly, the Governor, and the Supreme Court of Ohio. We must not lose sight of these critical factors when we embark upon lots of collaborative processes and advisory boards, which can come replete with many competing private agendas.

III. SBC's RELATIONSHIP WITH THE COMMISSION

In the Opinion and Order in Ameritech's alternative regulation case, the Commission warned Ameritech that it needed to work with the Commission and implement both the spirit and the letter of the agreements reached. We saw an unfortunate deviation from that in the Ameritech USA complaint case where the legal letter and not the spirit of the agreement was being presented to us. We have also recently had a variety of service quality cases which have troubled the Commission. See, *Plus One v. Ameritech*, Case No. 97-1510-TP-CSS (January 14, 1999), *State Alarm v. Ameritech et al.*, Case No. 95-1182-TP-CSS (March 25, 1999). I am also troubled by SBC's well known litigious approach to regulation.

It is absolutely critical that SBC maintain effective relations with the Commission. There are certain non-RBOC telephone companies that we regulate today that potentially suffer from what I call the "distant utility" problem---far off management in another state counting the dollars from a "cash cow" while having local people who, although well meaning, have little authority and must constantly vie for attention and dollars to serve the needs of the state of Ohio and the requirements of the PUCO.

Sister to the distant utility problem is the "gridlock" problem---an unwillingness on the part of a multi-state corporation to compromise a position in a given state, not on the merits, but solely out of fear of it eroding its "litigation position" in other states. Neither symptom is healthy for a utility seeking to serve the people of Ohio and to satisfy the Commission. It is especially important, as SBC becomes such a "mega-company," that it develop clear policies to ensure that neither of these two symptoms develop. This is difficult to write into a merger condition---yet let it be said that regulators and, more likely the staff, have long memories. I urge SBC in dealing with Ohio to adopt practices and policies to ensure that, while not giving up its right to challenge Commission decisions, it also does not develop these telltale symptoms. For if it does, then the nay sayers of this merger will have been proven right and both the Commission and its staff will have to so recognize in the future. I am willing to give this company the benefit of the doubt based on the forthright testimony provided by its senior executive, Mr. Kahan. But, we must hold them to it if there is to be an effective

professional relationship between the regulated and the regulator and if the needs of the people of Ohio are to be appropriately met.

Craig A. Glazer, Chairman

Commissioner Mason concurs in this Opinion.

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Gary E. Vigorito
Secretary

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control.	)))))	Case No. 98-1082-TP-AMT

CONCURRING OPINION OF DONALD L. MASON, ESQ.

The Opinion and Order of the Commission is well written and accurate. I am also in agreement with the Concurring Opinion of Chairman Craig A. Glazer. It is the purpose of my concurrence to establish why this merger is in the best interest of the citizens of Ohio. This merger request, as well as others before and those, which will surely follow, should not come as a surprise.

When applying the law in any particular case, I always step back in order to make sure I have an understanding of the big picture. After such a review, my vote is that the merger should go forward. First, this is a holding company transaction wherein the holders of the stock will be changing, but the company that the Public Utilities Commission of Ohio regulates will remain the same. Our jurisdiction over the company remains intact. Second, I am looking at international and national events to see if this proposed merger is "in step" with today's business trends. I have to find that it is. Examples are plentiful to name. Recently, Chrysler was bought out by Daimler, Worldcom and MCI combined, AT&T purchased TCI, AOL seeks to acquire Netscape, Exxon and Mobile are attempting to merge, BP and Amoco have combined and have other prospects such as Atlantic-Richfield (ARCO) on the horizon. Additionally, this nation has seen mergers in airlines, banking, accountancy, advertising, pharmaceuticals, health care providers, and a host of other business sectors.

The one thing that continues to surface as an explanation and justification is that companies are attempting to position themselves for global competition. We buy products made of natural resources from a variety of different countries, manufactured and assembled in different continents, and with brand names we no longer easily recognize. Business competition is global.

The same can be said of telecommunications. The companies that survive through the next millennium will be the ones that offer diverse services. The companies that survive will have to be global players if they are to compete in a global market. Those companies that compete globally will have to integrate local, long distance, cellular, and Internet services. Ultimately, new efficiencies, which benefit the customer and the shareholder alike, must be the order of the day, or else the competition will take the market share.